Clint Odom
Director
Federal Regulatory

1300 I Street, NW, Suite 400 West
Washington, DC 20005

Phone 202 515-2535
Fax 202 336-7922
clint.e.odom@verizon.com

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Ex Parte

Marlene Dortch
Secretary
Federal Communications Commission
445 12th H Street, SW, Portals
Washington, DC 20554

RE: *Application by Verizon New Jersey for Authorization To Provide In-Region, InterLATA Services in State of New Jersey, Docket No. 02-67*

Dear Ms. Dortch:

On June 19, 2002, D. May, P. Garzillo, C. Odom and K. Zacharia had a telephone conference call with B. Tramont, Commissioner Abernathy's office. We discussed whether the BHAR is used to calculate the cost of switching over the entire life of the switch and whether the BHAR measures usage at the mid-point of the life of a switch. The answer to both questions is no. Instead, the BHAR is one of several different inputs that are used to develop the current switching costs. In addition, we explained that it would not make sense to calculate switching costs over the life of the switch in today's environment, when usage is actually declining in many markets due to increased competition from many sources, including e-mail wireless phones, cable modems, and DSL. However, even if the BHAR did calculate the switching costs over the life of the switch in today's environment, because usage is declining, and will continue to do so going forward, such a calculation would be an appropriate proxy of forward-looking switching costs.

As we have explained before, determining whether the BHAR in Verizon's study is TELRIC-compliant is a complex, highly factual inquiry. The Commission itself has found that decisions regarding the BHAR are complex and would require an analysis of other parts of Verizon's cost studies, including the BHDR and the SCIS model. Accordingly, the Commission has concluded that the kind of fact-specific determinations that are required to modify the BHAR "are best made by the State Commission as an initial matter." *Vermont Order* ¶ 31; *Maine Order* 17, 29. This is especially true here, since this very issue is already pending before the New Jersey Board. *See Worldcom's Petition for Reconsideration,* Dkt. No. TO00060356, filed April 2, 2002 at 14. 31. In sum, Verizon has complied with the Commission's rules specifying that cost studies should reflect current network demand, network design as well as forwarding looking technology when applying the BHAR and related cost factors. *See Local Competition Orde*r ¶¶ 683 – 685.

In addition, we talked about the parity of the line splitting ordering process to the retail process. Throughout the former Bell Atlantic footprint, when an end user wants voice and data (DSL) on the same line, the voice service must be established first, and then a second order must be submitted to order DSL. This is true whether the voice and data are provided by Verizon retail and VADI through line sharing, by a CLEC through line sharing on a Verizon retail voice line, or by a CLEC and DCLE through line splitting.

Following the commission's approval of Verizon's request to accelerate the reintegration of VADI in other states, VADI has continued to operate as a separate division and continues to use the same interfaces available to all CLECs to submit DSL line sharing order two Verizon. Under the current process, when an end user contacts Verizon to establish new service, the Verizon representative enters the order for voice service into the Verizon ordering system. If the end user also wants DSL, the representative then submits a DSL order to Verizon On Line ("VOL – Verizon's ISP). The DSL order is entered into a different system that transmits the order to VOL. VOL then transmits the order to VADI, and VADI send a Local Service Request (LSR) for line sharing to Verizon using the same interfaces that are available to CLECs to provision DSL on the line after the voice service is established. In other words, while the end user only needs to talk to one Verizon representative, the Verizon retail representative must prepare two separate orders, one for voice service and one for DSL line sharing. Where a CLEC and a DLEC have entered into a business arrangement to provide voice and data service on the same line, there is no reason why they could not have a similar arrangement.

In New Jersey, the New Jersey State Board of Public Utilities did not approve transfer of assets necessary to establish VADI as a separate affiliate following the merger between Bell Atlantic and GTE. In conjunction with the reintegration of VADI in other states, Verizon is establishing VADI as a separate division in New Jersey, and VADI will use the same interface available to all CLECs to submit DSL line sharing order. This process will be completed in early July 2002. Both before and after the establishment of VADI as a separate division in New Jersey, however, a Verizon retail representative in New Jersey submits two orders for a new connect if the end user requests both voice and DSL service. As described above, the representative first enters the order for voice service into the Verizon ordering systems. She then uses a different system to submit the DSL order to VOL.

The twenty-page limit does not apply as set forth in DA 02-718. If you have any questions, please do not hesitate to call me.

Sincerely,

Clint E. Odom (AV)

cc: A. Johns
S. Pie